

Message Text

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ACTION TRSE-00

INFO OCT-01 AF-08 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

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R 170530Z SEP 76

FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC 2580

INFO AMEMBASSY DAR ES SALAAM

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E.O. 11652: N/A

TAGS: EFIN, KE

SUBJECT: BALANCE OF PAYMENTS AND DEBT PROSPECTS

REF: STATE 223505

1. SUMMARY: FOLLOWING IS BALANCE OF PAYMENTS OUTLOOK
FOR KENYA CY 1974-77 REQUESTED IN REFTEL. SDR STATISTICS
ARE PROVIDED SINCE KENYAN CURRENCY IS PEGGED TO SDR SINCE OCTOBER
1975. FIGURES FOR 1974 AND 1975 COME FROM PUBLISHED GOK
SOURCES. ESTIMATES FOR 1976 AND 77 WERE DEVELOPED FROM
GOK AND IMF PROJECTIONS AS WELL AS EMBASSY EVALUATIONS.
EMB'S CERP REPORTING ON BALANCE OF PAYMENTS FOLLOWS IN NOV.

2. CURRENT ACCOUNT (IN MILLIONS SDR'S)

	74	75	76EST)	77(EST)
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MERCHANDISE EXPORTS(FOB)	485	478	582	617
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MERCHANDISE IMPORTS

(C.I.F.)	859	781	942	1,111
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SERVICE IMPORTS	223	232	240	250
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SERVICE EXPORTS	306	336	380	415
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NET PRIVATE TRANSFERS	1.6	.2	.4	.5
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SERVICES INCLUDE: FREIGHT, TRANSPORTATION, FOREIGN TRAVEL,
INTERNATIONAL INVESTMENT INCOME, INCOME FROM GOVERNMENT
TRANSACTIONS.

3. CAPITAL ACCOUNT (IN MILLIONS SDR'S)

	74	75	76(EST)	77(EST)
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OFFICIAL LONG-TERM (EXC. CAPITAL GRANTS)	45.4	75.2	95	120
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OFFICIAL SHORT-TERM (INCL. GOVERNMENT ENTERPRISE)	1.4	-.2	.5	.6
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NET PRIVATE (LONG AND SHORT TERM)	116	43	50	65
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INTERNATIONAL RESERVE LEVEL AS OF DEC 31	158	151	185	175
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4. KENYAN CURRENT ACCOUNT EXPECTED TO SHOW SUBSTANTIAL
IMPROVEMENT IN 1976, THANKS LARGELY TO BOOMING COFFEE
EXPORT REVENUES. OTHER PRINCIPAL EXPORTS -- TEA AND
PETROLEUM PRODUCTS -- HAVE EXPERIENCED HEALTHY PRICE
INCREASES OVER YEAR. ALL THREE SHOULD HOLD UP THROUGH
1977, BUT COFFEE REVENUES COULD DECLINE THEREAFTER AS
LATIN AMERICAN PRODUCTION RECOVERES. GOK AUSTERITY PROGRAM --
IMPORT CONTROLS, REDUCED GOVERNMENT SPENDING, SELECTIVE
CREDIT ALLOCATION, FISCAL DISINCENTIVES TO CONSUMPTION
EXPENDITURES -- HELPED KEEP 1975 BOP DEFICIT WITHIN
MANAGEABLE PROPORTIONS. GENERAL ECONOMIC RECESSION
(NEGATIVE PER CAPITA GDP GROWTH) ALSO REDUCED TRADE
DEFICIT.

5. GOVERNMENT APPARENTLY INTENT ON CONTINUING CONSERVATION
MONETARY AND FISCAL POLICIES THRU 1976'S ANTICIPATED
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UPTURN, PRIMARILY TO CONSERVE FOREIGN EXCHANGE AND HOLD
DOWN INFLATION. SUCH DOMESTIC POLICIES MODULATE IMPACT OF
OECD TRENDS ON KENYAN ECONOMY AND MAKE TRADE PROJECTIONS
DIFFICULT. KENYA ECONOMY MORE SENSITIVE TO SIGNIFICANT CHANGES
IN OIL PRICE. EIGHT PERCENT INCREASE IN POSTED PRICE OF CRUDE
COULD ADD NEARLY 20 MILLION SDR TO PETROLEUM IMPORT BILL,
OFFSET BY AN INCREASE OF PERHAPS 14 MILLION SDR IN EXPORTS OF
REFINED PRODUCTS.

6. EXTERNAL DEBT (IN MILLIONS OF SDR'S)

	74	75	76(EST)	77(EST)
OUTSTANDING AND DISBURSED AS OF DEC 31	381	456	553	652
UNDISBURSED	126	149	183	205
DEBT SERVICE	2.6	2.8	2.5	2.7

7. EXTERNAL DEBT FIGURES REPRESENT LONG AND SHORT-TERM PUBLIC DEBT ONLY. GOK AS NO RECORD OF PRIVATE DEBT COMMITMENTS. ABOVE STATISTICS DO NOT INCLUDE KENYA'S PORTION OF EAST AFRICAN COMMUNITY DEBT COMMITMENTS. GOK WILL FOLLOW TRADITIONALLY CAUTIOUS POLICY TOWARDS EXTERNAL DEBT MANAGEMENT AND PROBABLY COULD RESORT TO MODERATE BORROWING ON COMMERCIAL TERMS DURING NEXT FEW YEARS WITHOUT JEOPARDIZING LONG-TERM CREDIT WORTHINESS. GOK MONETARY POLICY ENCOURAGES COMMERCIAL SECTOR TO MAKE GREATER USE OF SUPPLIERS CREDITS, RESERVING SOFT-TERM PROJECT AID FOR HIGH PRIORITY INFRASTRUCTURE AND AGRICULTURAL DEVELOPMENT NEEDS. BULK OF TOTAL DISBURSED DEBT IN 1980 WILL BE HELD BY WORLD BANK GROUP. DUE IMPROVED EXPORT RECEIPTS 1976-77, KENYA NOT LIKELY TO REQUIRE EXTRAORDINARY FINANCING IN 1976-77 TO MEET 8-10 PERCENT OIL PRICE INCREASE. PROBABLE DECENTRALIZATION OF EAST AFRICAN COMMUNITY CORPORATIONS IN 1977 WILL POSE SPECIAL DEBT SERVICING PROBLEMS FOR MEMBER NATIONS, INCLUDING KENYA. IBRD LOANS OUTSTANDING TO EAC TOTAL OVER DOLS 200 MILLION. FUTURE EAC STRUCTURE AND DEBT REALLOCATION PLANS ARE STILL UNCERTAIN. CONSIDERING CURRENTLY LOW DEBT LIMITED OFFICIAL USE

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SERVICE RATION (ESTIMATED TO BE 4 PERCENT WHEN EAC COMMITMENTS INCLUDED), KENYA SHOULD HAVE NO DIFFICULTY ABSORBING COMMUNITY OBLIGATIONS AND ATTRACTING ADDITIONAL BILATERAL DEVELOPMENT CAPITAL.

DECON 9/16/78.
MARSHALL

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